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RUEHBO/AMEMBASSY BOGOTA 8009  
RUEHBR/AMEMBASSY BRASILIA 6155  
RUEHLP/AMEMBASSY LA PAZ 2905  
RUEHPE/AMEMBASSY LIMA 1188  
RUEHSP/AMEMBASSY PORT OF SPAIN 3728  
RUEHQT/AMEMBASSY QUITO 3002  
RUEHSG/AMEMBASSY SANTIAGO 4132  
RUEHDG/AMEMBASSY SANTO DOMINGO 0660  
RHEHNSC/NSC WASHDC  
RHEHAAA/WHITEHOUSE WASHDC  
RHEBAAA/DEPT OF ENERGY  
RUCPDOG/DEPT OF COMMERCE  
RUEATRS/DEPT OF TREASURY  
RUMIAAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L SECTION 01 OF 03 CARACAS 000827

SIPDIS

ENERGY FOR CDAY AND ALOCKWOOD, DOE/EIA FOR MCLINE  
HQ SOUTHCOM ALSO FOR POLAD  
TREASURY FOR RJARPE  
COMMERCE FOR 4332/MAC/WH/JLAO  
NSC FOR RKING

E.O. 12958: DECL: 07/01/2019  
TAGS: [EPET](#) [EINV](#) [ENRG](#) [ECON](#) [VE](#)  
SUBJECT: VENEZUELA: LOCAL HALLIBURTON OPERATION IN  
FINANCIAL CRISIS

REF: A. (A) CARACAS 541  
[1](#)B. (B) CARACAS 440  
[1](#)C. (C) CARACAS 428  
[1](#)D. (D) CARACAS 288

Classified By: Economic Counselor Darnall Steuart, for reasons  
1.4 (b) and (d).

[1](#)1. (C) SUMMARY: Halliburton is concerned that its perceived historical connection with the previous U.S. administration and the \$300 million it is owed by PDVSA may provide ample rationale for the GBRV to expropriate the U.S. oil services company. Venezuelan courts have now ruled twice in favor of contractors suing the company over outstanding payments. Senior PDVSA leadership recommended to senior local Halliburton leadership in a June 19 meeting that it seek to improve its situation by reaching out to President Chavez through Washington, DC contacts and through diplomatic channels in Caracas. Halliburton believes that Schlumberger (which would be the largest service company left standing in the event of a Halliburton departure) reached an agreement with PDVSA for payments by offering a fifteen per cent discount on its pending arrears. END SUMMARY.

[1](#)2. (C) Petroleum AttachQ met with Halliburton's Global Account Manager for PDVSA, Martha Sandia (strictly protect throughout) on June 29. Per Sandia, PDVSA and PDVSA-managed joint ventures owe Halliburton \$300 million in arrears, of which it has received payment of only \$28 million in 2009. Halliburton owes \$55 million to contractors and has \$50 million in loans to Venezuelan banks (on which it pays \$1 million per month in interest). Halliburton has received a total of \$9 million in U.S. dollar payments to accounts in the United States this year. Sandia reported that Halliburton's corporate leadership has decided that it will not supply offshore dollars to support Venezuelan operations or permit Halliburton's local office to exchange the \$9 million USD payment on the local parallel market.

13. (C) Sandia indicated Halliburton's financial situation in Venezuela is critical (REF A). A Venezuelan judge ruled the week of June 15 in favor of a group of contractors who had sued Halliburton over outstanding payments and awarded the plaintiffs a seized Halliburton bank account with roughly \$500,000 as compensation. The week of June 22, another judge ruled against Halliburton in a similar suit and awarded the plaintiffs \$1.5 million. Halliburton has been notified of fifteen similar legal proceedings that have been filed against it. Other contractors have temporarily shutdown Halliburton operations in Maracaibo and Maturin (septel). In order to manage this difficult financial situation, Halliburton is reducing operations and firing staff. Sandia confirmed that Halliburton refused to renew a mud contract with PetroBoscan (REF C) since the PDVSA-Chevron joint venture owes Halliburton over \$10 million. She stated that Halliburton's June 2009 severance packages amounted to \$6 million. Of the remaining 1,300 employees, Halliburton's target was to lay-off an additional 300 employees in July.

14. (C) Halliburton Venezuela President Juan Casteneda met with PDVSA Vice President Eulogio Del Pino on June 19, in what was characterized as having been an open and frank exchange. Del Pino denied that PDVSA has any plans to expropriate Halliburton, noting that companies like the Wood Group, Williams, and Exterran represented monopolies in the natural gas compression and injection sector and that the Lake Maracaibo launch operators were politically aligned against President Chavez. He added that he had asked PDVSA

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President and Minister of Energy and Petroleum, Rafael Ramirez, before the meeting, whether he should advise Halliburton that it leave the country. Ramirez's reported response was "Wait." Del Pino advised that Halliburton needed to change Venezuelan senior leadership's perception of the U.S. multinational and that Halliburton's CEO might write Q&an apologetic letterQ8 to President Hugo Chavez as a first step. Sandia noted Halliburton leadership is concerned how such a letter might be used by the GBRV and added that Del Pino hinted that it should offer a break between Halliburton's past leadership and connections with former USG officials. Sandia understood from the meeting that Chavez either (1) does not know Halliburton is still operating in Venezuela, (2) may have ordered Ramirez to kick Halliburton out of Venezuela, and/or (3) does not like Halliburton due to its perceived ties with former U.S. Vice President Dick Cheney. Sandia stated that Del Pino also advised Halliburton to work through U.S. Representative Delahunt and Venezuelan Ambassador Alvarez in Washington, DC and through diplomatic channels in Caracas to resolve Halliburton's outstanding payments problem.

Why Halliburton and not Schlumberger?  
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15. (C) The departure of Halliburton would leave Schlumberger as the largest multi-service oil field services company in Venezuela. According to Sandia, Schlumberger's CEO met with Ramirez in Vienna on the margins of an OPEC meeting in May and reached a deal for PDVSA to pay Schlumberger \$117 million by the end of June (REF B). Sandia confirmed that Schlumberger has received \$98 million so far. She added that according to industry gossip, Schlumberger agreed to a fifteen per cent discount on its one billion dollar bill with PDVSA. She noted that one of Schlumberger's recent Securities and Exchange Commission filings includes a \$300 million write down for operations in Latin America. She stated that Halliburton legally will not need to take an SEC write-down until the end of the calendar year and would follow Schlumberger's lead in not naming Venezuela as the cause of the write-down. Even though payments to Schlumberger roughly equate to ten percent of its pending balance (the same as Halliburton and the rest of the industrial sector), Halliburton perceives itself as being a

good political target. Sandia claimed that Schlumberger is not facing the same legal suits by contractors. In a June 8 meeting with PetAtt and visiting Washington energy analyst, Ivan Betancourt, Schlumberger Venezuela's President (strictly protect throughout), claimed that Schlumberger had not let its financial situation deteriorate to the point of not making labor or medical payments. If it did, he claimed, the oil services giant would be facing a shut-down in Venezuela. He confirmed, however, that Schlumberger had received a payment reflecting ten per cent of outstanding arrears back in March and was receiving regular, weekly payments of \$70 to \$80 million. He hinted that Schlumbergers' total outstanding debt was \$600 million.

16. (C) In regards to activity levels in country, Sandia shared that Halliburton's current internal rig count was 69, but noted that only 41-45 of those rigs actually operated in June. Furthermore, she indicated that another four rigs shut down the week of June 22.

17. (C) COMMENT: It seems likely that Schlumberger has made a deal with PDVSA that has facilitated regular payments and that these payments (and possible other government pressure, i.e. perhaps in the courts) are keeping Schlumberger out of legal, financial, and political labor trouble. Halliburton

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does not enjoy the same degree of favoritism with this government. Just as some believed that Exxon Mobil and ConocoPhillips would not walk away from their investments in Venezuela, many here wrongly believe Halliburton is too big to fail. We believe that senior GBRV policymakers do not understand the full range of implications for production of expropriations such as the recent Exterran confiscation and we doubt that they understand (or care for that matter) about what the loss of Halliburton would mean to the oil services sector. END COMMENT.

CAULFIELD